



Legislative Fiscal Bureau

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February 25, 2013

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Safety and Professional Services: Section 13.10 Request Related to PECFA Claim Payments -- Agenda Item IV

REQUEST

The Department of Safety and Professional Services (DSPS) submitted a request on June 19, 2012, under section 13.10 of the statutes, for an increase of \$6,617,600 SEG in the petroleum environmental cleanup fund award (PECFA) appropriation [s. 20.165 (2)(v)] during the 2011-13 biennium. The DSPS June, 2012, request would have been funded through a combination of \$2,100,000 in expenditure reductions in the petroleum inspection and tank administrative appropriation and PECFA administrative appropriation in 2011-12 and 2012-13, and \$4,517,600 from the balance of the petroleum inspection fund. The Joint Committee on Finance has not acted on the DSPS, June, 2012, request.

On January 22, 2013, DSPS submitted a revised request for an increase of \$1,000,000 SEG in the PECFA awards appropriation in 2012-13. The Department requested that the increase be offset by reducing expenditures from the following petroleum inspection fund SEG sources: (a) \$500,000 from the 2012-13 appropriation for petroleum inspection and tank programs; and (b) \$500,000 from the 2012-13 appropriation for PECFA administration.

On February 15, 2013, the Committee received a request from DSPS to withdraw the January, 2013, request for \$1 million. DSPS requested the resubmittal of the June 19, 2012, request for an increase of \$6,617,600 for PECFA awards, except for the request of \$1.1 million in 2011-12 expenditure reductions. Expenditure reductions can no longer be made in 2011-12 because that fiscal year ended on June 30, 2012.

BACKGROUND

The petroleum environmental cleanup fund award (PECFA) program reimburses owners for a portion of the cleanup costs of discharges from petroleum product storage tank systems and home

heating oil systems. PECFA awards are funded from the segregated petroleum inspection fund, which receives revenue from a 2¢ per gallon petroleum inspection fee assessed on all petroleum products that enter the state, including gasoline, diesel and heating oil. Petroleum inspection fee revenue totals approximately \$75 million annually.

Under 2011 Act 32, the 2011-13 biennial budget act, the PECFA program, petroleum inspection, and tank regulation programs were transferred from the former Department of Commerce to the new Department of Safety and Professional Services (formerly the Department of Regulation and Licensing). Under 2011 Act 32, the PECFA awards appropriation was decreased by \$4,550,000 SEG annually, to \$4,550,000, to provide \$9.1 million in the biennial appropriation for payment of PECFA claims during the 2011-13 biennium.

In 2011-12, DSPS paid \$6,970,000 for PECFA claims. In 2012-13, DSPS paid \$1,995,200 as of the beginning of February, 2013, for total payments during the 2011-13 biennium of \$8,965,200. As of the beginning of February, 2013, \$133,400 remained in the biennial appropriation for payment of PECFA claims during 2012-13. DSPS indicated that the remaining funds would be reserved for emergency actions and for two sites that have been referred to the Department of Justice for enforcement action. Claims that have been audited and approved for payment since early November, 2012, have been placed in a waiting list to be paid when funds become available. The backlog of claims audited and ready to be paid when funding becomes available includes approximately 150 claims totaling \$1 million as of mid-February, 2013.

ANALYSIS

The state paid the first PECFA awards in 1988-89. Claim levels increased during the 1990s as owners replaced or upgraded petroleum tank systems in compliance with federal and state requirements. In the late 1990s, the program experienced a backlog of over \$200 million in claims that had been received and not paid. Issuance of \$387 million in petroleum inspection fee revenue obligations first authorized in 1999 Act 9 allowed the PECFA program to pay the backlog of claims in 2000 through 2003. As of January, 2013, the program has paid over \$1.5 billion in claims for cleanup at over 12,300 closed sites and over 800 open sites.

The first use of petroleum inspection fees is payment of the revenue obligations that were issued to pay the 1990s PECFA claim backlog. As of December 1, 2012, the total amount of outstanding revenue obligations is \$188.6 million, which includes \$117.46 million in long-term obligations and \$71.15 million in short-term commercial paper with terms generally less than 90 days. The state is making interest only payments on the short-term obligations. The state made payments to the revenue obligation debt service trustee account of \$11.2 million in 2009-10, \$5.9 million in 2010-11 and \$7.8 million in 2011-12. The amounts were higher in years prior to 2009-10, and were lower during 2009-10 through 2011-12, because the state restructured debt during the last two biennia to defer principal payments and to help balance the general fund. Debt service costs will increase to approximately \$30.5 million in 2012-13 and approximately \$31.5 million annually in 2013-14 through 2015-16, because, under current debt service payment schedules, repayment of principal for the long-term obligations will resume July 1, 2013. Repayment of long-term obligations will be completed on July 1, 2017, and, based on current repayment practice by the Department of Administration, the remaining principal amount owed would be \$71.15 million,

which is all of the current outstanding short-term commercial paper. However, any undesignated petroleum inspection fund balances can be used to pay additional debt service beyond the minimum required amounts.

TABLE 1

**Petroleum Inspection Fund Estimated Condition – Current Law
2010-11 Through 2013-14 (\$ In Millions)**

| | 2010-11 <u>Actual</u> | 2011-12 <u>Actual</u> | 2012-13 <u>Estimated</u> | 2013-14 <u>Base Funding</u> |
|--|--------------------------|--------------------------|-----------------------------|--------------------------------|
| Opening Balance -- July 1 | \$0.0 | \$2.6 | \$17.9 | \$16.8 |
| Revenue | | | | |
| Petroleum Inspection Fee | \$73.5 | \$74.0 | \$75.0 | \$75.0 |
| Revenue Obligation Debt Service | -5.9 | -7.8 | -30.5 | -31.5 |
| Petroleum Bulk Tank Fees and Other | <u>0.2</u> | <u>0.2</u> | <u>0.2</u> | <u>0.2</u> |
| Total Revenue | \$67.8 | \$66.4 | \$44.7 | \$43.7 |
| Total Revenue Available | \$67.8 | \$69.0 | \$62.6 | \$60.5 |
| Expenditures and Reserves | | | | |
| PECFA Awards | \$8.8 | \$7.0 | \$2.1* | \$4.6 |
| PECFA Administration | 2.4 | 2.2 | 2.5 | 3.0 |
| Commerce / DSPS Petroleum Inspection | 5.0 | 4.6 | 4.7 | 5.5 |
| Transportation Fund | 6.3 | 6.3 | 6.3 | 6.3 |
| Other Programs | 8.3 | 11.5 | 10.6 | 8.7 |
| Reserves and Lapses | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> | <u>0.4</u> |
| Total Expenditures | \$30.8 | \$31.6 | \$26.2 | \$28.5 |
| Transfer to the General Fund | \$14.1 | \$0.0 | \$0.0 | \$0.0 |
| Transfer to Transportation Fund | 17.8 | 19.5 | 19.5 | 0.0 |
| Transfer to Recycling & Environmental Fund | <u>2.5</u> | <u>0.0</u> | <u>0.0</u> | <u>0.0</u> |
| Total Transfer | \$34.4 | \$19.5 | \$19.5 | \$0.0 |
| Cash Balance | \$2.6 | \$17.9 | \$16.8 | \$32.0 |
| Encumbrances, Continuing Balances | -\$0.7 | -\$0.2 | \$0.0 | \$0.0 |
| Closing Available Balance -- June 30 | \$1.9 | \$17.7 | \$16.8 | \$32.0 |

* Amount currently remaining in 2012-13 to pay claims from the biennial appropriation for 2011-13.

Table 1 shows the estimated condition of the petroleum inspection fund from 2010-11 through 2013-14. Prior to consideration of the current s. 13.10 request, the estimated petroleum inspection fund balance would be approximately \$16.8 million on June 30, 2013. The 2013-14 amounts reflect adjusted base-level funding of \$28.6 million and estimated revenue and debt service payments that provide net revenue of \$43.7 million, resulting in a June 30, 2014, estimated fund balance of \$32 million under current law. The 2013-14 estimated expenditures would vary depending on the Governor's budget recommendations and legislative actions taken during 2013-15 biennial budget deliberations. The revenue obligation debt service amounts are shown as a

reduction to revenues because amounts must be transferred, in monthly amounts, to be held for debt service payment by a trustee, before any other expenditures are made from the fund. Table 1 incorporates the August 10, 2012, Joint Committee on Finance approval of an additional \$1,000,000 in 2012-13 for the Department of Military Affairs state disaster assistance program appropriation from the petroleum inspection fund (shown under "other programs"). The table does not include any debt service payments, beyond the minimum requirements, that could be made from the available fund balance.

Table 1 shows that the petroleum inspection fund is expected to have a sufficient balance to fund the DSPS request. The table incorporates the \$1,000,000 identified by DSPS as amounts that it will not spend from the petroleum inspection tanks and PECFA administrative appropriations in 2012-13 (shown as reduced expenditures for those programs) because it is anticipated the Department will make those expenditure reductions whether or not the Committee approves an increase in the PECFA awards appropriation. Table 1 does not incorporate the Department's request to increase the PECFA awards appropriation. Thus, approval of, for example, the \$1 million requested by DSPS in January would reduce the estimated June 30, 2013, petroleum inspection fund balance from approximately \$16.8 million to \$15.8 million.

Expenditures for PECFA awards, administration, and revenue obligation debt service totaled \$17.1 million in 2010-11 and \$17.0 million in 2011-12, and are expected to total approximately \$35.1 million in 2012-13 based on currently authorized amounts. The 2012-13 amounts reflect increases in debt service costs after the state resumes paying principal on the revenue obligations in 2012-13, and the \$2.1 million currently available for PECFA claims. During the 2011-13 biennium, the other largest expenditure is \$25.8 million transferred to the transportation fund in each of 2011-12 and 2012-13, including \$6.3 million annually in an appropriation from the petroleum inspection fund to the transportation fund and \$19.5 million under a one-time provision of 2011 Act 32. In 2012-13, 105.9 staff are funded from the petroleum inspection fund, 69.8 of whom are budgeted for PECFA administration and petroleum inspection activities. In addition to expenditures for the PECFA program and associated revenue obligation debt service, expenditures for other programs include amounts for: (a) DSPS petroleum tank and inspection programs; (b) Department of Revenue collection of the petroleum inspection fee; (c) DSPS abandoned tank removal; (d) petroleum inspection fee refunds to eligible airlines; and (e) clean air, environmental, and disaster assistance programs in the Departments of Natural Resources, Transportation, Agriculture, Trade and Consumer Protection, and Military Affairs.

During 2011-13 biennial budget deliberations, administration officials indicated the Governor proposed decreasing the PECFA awards appropriation by half, from \$9,100,000 annually to \$4,550,000, in order to make additional petroleum inspection funds available for transfer to the transportation fund. However, during 2011-13 biennial budget deliberations, it was apparent the \$9,100,000 provided for PECFA claims during the biennium was unlikely to fund expected demand. Under 2011 Act 32, \$19.5 million was transferred from the petroleum inspection fund to the transportation fund in each of 2011-12 and 2012-13 on a one-time basis, in addition to the \$6.3 million appropriated annually on an ongoing basis as a transfer to the transportation fund.

Based on actual PECFA claims payments of \$6,970,000 made during 2011-12, \$2,130,000

remained from the current \$9,100,000 biennial appropriated amount for claims payments in 2012-13. DSPS utilized all currently appropriated funds in November, 2012, except for \$133,400 it has reserved for payment of claims related to emergency and enforcement actions.

If no additional funds are authorized for the PECFA claims appropriation, PECFA claims approved for payment will continue to be placed on a waiting list for payment after the 2013-14 appropriation is available, or after additional funds are legislatively authorized for the appropriation, whichever action would come first. The state would incur additional costs for interest eligible for reimbursement under the program for loans taken out by owners of PECFA sites, at up to the prime rate minus 1%, which would currently be 2.25%. However, few lenders are currently making PECFA loans. Instead, many owners are using a consultant agent process where the agent completes the work, submits a PECFA claim for reimbursement on the owner's behalf, and receives the payment from DSPS.

DSPS, DNR, and industry officials indicate the current unavailability of PECFA funds and backlog of claims is substantially slowing the progress of work at many sites where consultants act as an agent for the owner for the purpose of filing a PECFA claim. Many consultants have stopped active work at PECFA sites because they do not know when the costs that they incur at the sites will be reimbursed by DSPS and the consultants do not have the financial resources to wait an unknown period of time for state reimbursement. Some PECFA-eligible work continues to be performed by larger corporations and oil companies who have the resources to self-finance the work until the state resumes reimbursement of PECFA-eligible costs.

State statutes require DSPS to promote the PECFA program to eligible parties, make eligibility determinations for new sites, and to pay all appropriate claims for eligible sites. The DSPS June, 2012, request was based on the Department's evaluation of the liability of the PECFA program for work approved for approximately 928 open sites prior to November 16, 2011. The Department implemented a moratorium between November 16, 2011, and April 24, 2012, on approving eligibility of new sites under the program and new work activities at any new or ongoing PECFA sites, both of which are required before work can proceed or a claim can be submitted. During the five months of the moratorium, when site owners submitted requests for a program eligibility determination or approval of work components, DSPS officials verbally informed owners that the Department was not making such determinations at that time. During the moratorium, DSPS staff reviewed all of the 928 case files and estimated the program's liability for work approved prior to the moratorium. The Department continued to process and pay claims during those months. The Department's evaluation of the program's liability did not include an estimate of when work would be completed or when claims would be submitted. After DSPS lifted the PECFA program moratorium on April 25, 2012, the Department issued eligibility determinations for 30 to 40 new sites, and began the process of approving approximately \$1.8 to \$1.9 million in work components submitted for approval during the moratorium. DSPS approved \$923,000 of work components submitted during the moratorium months by June 8, 2012, and estimates that it approved 80% of the work submitted during the moratorium by the end of June, 2012. It is likely many of the work component activities were being performed during the summer and fall of 2012. However, much of the work performed at PECFA sites substantially slowed or stopped when DSPS ran out of funds in November, 2012.

The DSPS original June, 2012, and revised February, 2013, requests seek an additional \$6.6 million for PECFA claims, for total funding during the 2011-13 biennium of \$15.7 million. The DSPS January, 2013, request instead sought an additional \$1,000,000 for PECFA claims, to allow payment of up to \$3,130,000 for PECFA claims during 2012-13, and for total funding during the 2011-13 biennium of \$10,100,000. The DSPS January, 2013, request indicated the requested \$1,000,000 would pay the 128 claims for \$762,000 that had been audited as of January 18, 2013, and are waiting to be paid. Of the \$1,000,000, \$238,000 would be used for claims audited after January 18, 2013, including for two claims totaling \$100,000 in the process of being audited as of that date. Table 2 shows the actual PECFA claims payments made in 2006-07 through 2011-12.

TABLE 2

PECFA Claim Payments, 2006-07 Through 2011-12

| <u>Year</u> | <u>Amount Paid</u> | <u>Percent Change from Prior Year</u> |
|-------------|--------------------|---|
| 2006-07 | \$22,514,100 | |
| 2007-08 | 14,591,100 | -29.8% |
| 2008-09 | 10,408,500 | -28.7 |
| 2009-10 | 9,521,200 | -8.5 |
| 2010-11 | 8,828,300 | -7.3 |
| 2011-12 | 6,970,000 | -21.0 |

The DSPS January, 2013, request of \$1,000,000 would make \$3.13 million available to pay claims in 2012-13. However, this would only be expected to be sufficient to pay the claims already audited and waiting payment in mid-February. The request indicated a backlog of an unspecified dollar amount and number of claims would be expected to develop and wait for payment in fiscal year 2013-14. DSPS officials have recently indicated that active remediation work is currently being performed at a limited number of PECFA sites because of the lack of funds for reimbursement of PECFA-eligible work. They anticipate there would be limited work done at PECFA sites this spring with the requested \$1,000,000, and relatively few incoming claims would be submitted during the remainder of 2012-13.

Before funding was exhausted in November, 2012, an average of approximately \$500,000 of PECFA claims was submitted monthly to DSPS for reimbursement under the program. In November, 2012, through January, 2013, claims submitted totaled \$200,000 to \$300,000 in each month because many site owners and consultants stopped or slowed work on PECFA sites after reimbursement of claims had ceased. It is probable that if site owners and consultants believe there will be sufficient funding available to pay PECFA claims, they will resume work at sites. It is possible the amount of claims submitted would increase to a monthly average of, perhaps, \$250,000 to \$500,000 if adequate claims funding were provided for continued operation of the program. Claims received beginning sometime in May would probably not be audited and ready to be paid until after June from the 2013-14 appropriation. However, since \$1 million would be insufficient to pay for anticipated work to be done at PECFA sites, owners and consultants would likely decide to stop work again, or to not resume work until funds become available.

It can be anticipated that, if funding is provided to pay all eligible claims, perhaps \$1.0 million in claims might be received and audited for payment between February 15, 2013, and the end of June, 2013. Thus, approximately \$2 million in additional funds would likely be sufficient to fund expected claims through the remainder of the biennium. Approval of total additional funding of \$2,000,000 would provide \$1 million to pay the current backlog, and \$1 million for additional claims submitted and approved for payment between mid-February and June of 2013.

The DSPS request proposes that the increase in the PECFA claims appropriation be partially funded from transfers of \$500,000 from the petroleum inspection and tank administrative appropriation, and \$500,000 from the PECFA administrative appropriation. DSPS officials indicate that, as of January 29, 2013, there are 16.0 vacant positions in the two appropriations (10.5 in petroleum inspection and 5.5 in PECFA). The Department stated funds are available in the administrative appropriations for transfer to the PECFA claims appropriation because the Department has held positions vacant since varying times in 2011-12, will continue to hold the vacancies through the end of 2012-13, and has implemented efficiencies in program operations. While they cannot quantify precise savings from program efficiencies, officials indicate examples of changes the Department has implemented in the two programs include: (a) spending less on travel by combining trips to nearby locations; (b) spending less on rent for fewer numbers of staff in the Madison office (which moved from the Commerce office building downtown to the former Regulation and Licensing building on East Washington Avenue); (c) closing petroleum inspection laboratories in Superior and Milwaukee; (d) eliminating out-of-state travel; (e) reducing attendance at conferences and speaking engagements; and (f) reducing payments to municipal and private inspectors for inspection of certain petroleum tank installations.

It is anticipated the expenditure reductions of \$1,000,000 from the two administrative appropriations will occur whether or not the Committee approves an increase in the PECFA awards appropriation. Any unspent funds in the administrative appropriations in 2012-13 that are not reallocated for the PECFA awards appropriation will lapse to the petroleum inspection fund balance and become available for appropriation in 2013-14 or subsequent years. The estimated balance of the petroleum inspection fund in Table 1 factors in the Department's planned \$1 million expenditure reductions.

It is likely that expenditure reductions of greater than \$1,000,000 will be achieved in the two administrative appropriations during 2012-13. Since submittal of the January, 2013, request, DSPS officials have updated estimates of expenditures and currently anticipate expenditures will be lower than authorized amounts in 2012-13 by over \$800,000 in the petroleum inspection and tanks appropriation and approximately \$600,000 in the PECFA administrative appropriation.

The Committee could choose to approve funding for the PECFA awards appropriation of \$1,400,000, and to provide the additional funding by approving expenditure reductions in the two administrative appropriations based on the DSPS revised estimates of approximately \$1,400,000. The Committee could provide \$1.4 million for PECFA awards, and fund all of it by approving \$1.4 million in expenditure reductions, including \$800,000 in the petroleum inspection and tanks appropriation, and \$600,000 in the PECFA administrative appropriation (Alternative 2). This alternative would result in an estimated June 30, 2013, petroleum inspection fund balance of

approximately \$15.8 million (the same as under the DSPS January, 2013, request) because the additional \$400,000 in expenditure reductions would equal the additional \$400,000 provided for PECFA awards. However, it is unlikely that this amount would be sufficient to fully fund 2012-13 claims or fully restart cleanup work at stalled sites.

If the Committee chooses to provide \$2.0 million for PECFA awards (Alternative 3a or 3b), this amount could fully restart cleanup work at approved sites and would be expected to be sufficient to pay all PECFA claims submitted and audited for payment prior to June 30, 2013 (excluding potential DOT claims discussed below). The Committee could fund the \$2.0 million in one of two ways. Approval of \$1.4 million in expenditure reductions in the administrative appropriations, with the remaining \$600,000 transferred from the balance of the petroleum inspection fund (Alternative 3a), would recognize the larger anticipated expenditure reductions, and would result in an estimated petroleum inspection fund balance of approximately \$15.2 million (\$600,000 less than under the January request because of the allocation of the fund balance). Approval of the \$1.0 million in expenditure reductions requested by DSPS (Alternative 3b) would result in greater flexibility to the Department for expenditures related to the administration of the PECFA program and petroleum inspection and tank regulatory program for the remainder of the fiscal year.

The DSPS January, 2013, request did not discuss \$1.2 million in potential Department of Transportation (DOT) claims for PECFA-eligible work at eight sites that were identified in their June, 2012, submission. DOT acted as the agent for the owner under State Highway 29 construction projects for work completed eight to 15 or more years ago, and DOT has not submitted these claims. DOT officials recently indicated there are six complex and interrelated sites that have been cleaned up as part of the Highway 29 project. DOT officials hope to request DNR approval in March to close the last two sites, and to submit a claim to DSPS for up to approximately \$1.0 to \$1.2 million by the end of April for those two sites and four sites that were closed several years ago. DOT is also preparing to submit a smaller claim for approximately \$80,000 for a closed site in Milwaukee.

It is uncertain what amount of claims DOT will submit in time for DSPS to audit and pay DOT claims before June 30, 2013. It generally takes up to two months for DSPS to audit and approve a claim for payment. However, the potential DOT claim would be significantly larger and more complex to audit than a typical claim received by DSPS. If DOT submits a claim by early May, it would likely be approved for payment before the end of 2012-13. If DOT does not submit any PECFA claims for the old sites by early May, it is anticipated \$2.0 million (Alternative 3a or 3b) would be sufficient to fund anticipated claims in 2012-13. The Committee could choose to approve an additional \$1,200,000 (\$3.2 million total under Alternative 4a or 4b) to reflect the possibility that DOT might submit claims for the old sites by early May, and that DSPS would have sufficient time to complete an audit of the claims during 2012-13. If the DOT claims are not submitted in the next few months, any amount provided in anticipation of potential DOT claims would be expected to lapse to the balance of the petroleum inspection fund, and any DOT claims would be paid from a future year's PECFA claims appropriation.

The Committee could choose to approve \$6,617,600 for PECFA claims, as requested by

DSPS in June, 2012 and February, 2013. The additional funding for PECFA claims could be partially offset by approving expenditure reductions of \$1.0 million in 2012-13, as requested by DSPS (Alternative 5a), or of \$1.4 million (Alternative 5b), which reflects the larger anticipated expenditure reductions. The remaining funding would be provided from the balance of the petroleum inspection fund. Unless a number of large and unanticipated claims were submitted over the next few months, it is probable that \$6.6 million is significantly more than would be expected to be needed for payment by the end of June, 2013. Approval of the DSPS June, 2012, requested \$6.6 million, would likely result in substantial funds being unspent at the end of 2012-13, and lapsing to the balance of the petroleum inspection fund.

Owners and representatives of PECFA-eligible sites argue that the PECFA awards appropriation should be set at a level that uses available petroleum inspection fund balances to meet estimated claim demand, and that avoids a reduction in cleanup activity and/or the redevelopment of a PECFA claim backlog as existed in the late 1990s. It could also be argued that, after petroleum inspection fund revenues are used for the required first purpose of paying debt service for revenue obligations issued for the PECFA program, available revenues should next be used to pay PECFA claims.

If the Committee approves more funding for the PECFA claims appropriation than is needed to pay PECFA claims during 2012-13, the unspent balance of the appropriated amount would lapse to the petroleum inspection fund on June 30, 2013. That balance would then be available during future biennia for any of the authorized uses of the petroleum inspection fund. If the Committee approves less than is needed to pay approved PECFA claims during 2012-13, DSPS could either submit an additional request for funding under s. 13.10 later during 2012-13, or wait to pay any remaining claims until July, 2013. If the Committee does not approve any additional funding for PECFA claims during 2012-13 (Alternative 6), DSPS will need to wait to pay PECFA claims until at least July, 2013.

ALTERNATIVES

1. Consistent with the DSPS January, 2013, request, approve the following: (a) provide \$1,000,000 SEG on a one-time basis in 2012-13 to the petroleum environmental cleanup fund award (PECFA) appropriation; and (b) delete \$500,000 from the 2012-13 appropriation for administration of petroleum inspection and tank programs and \$500,000 from the 2012-13 appropriation for PECFA administration. (This would make \$3,130,000 available for PECFA claims in 2012-13.)

2. Provide \$1,400,000 SEG on a one-time basis in 2012-13 to the PECFA awards appropriation. Further, delete \$800,000 from the petroleum inspection and tanks administrative appropriation and \$600,000 from the PECFA administrative appropriation in 2012-13. (This would provide \$3,530,000 for PECFA claims in 2012-13, and the estimated June 30, 2013, balance of the petroleum inspection fund would be approximately \$15.8 million.)

3. Provide \$2,000,000 SEG on a one-time basis in 2012-13 to the PECFA awards appropriation. (This would provide \$4,130,000 for PECFA claims in 2012-13, and would be expected to be sufficient to pay all non-DOT claims audited for payment prior to June 30, 2013.)

Further, approve one of the following:

a. Delete \$800,000 from the petroleum inspection and tanks administrative appropriation and \$600,000 from the PECFA administrative appropriation in 2012-13 (leaving an estimated \$15.2 million June 30, 2013, balance in the PIF).

b. Delete \$500,000 from each of the two administrative appropriations in 2012-13.

4. Provide \$3,200,000 SEG on a one-time basis in 2012-13 to the PECFA awards appropriation. (This would provide \$5,330,000 for PECFA claims in 2012-13, and would be expected to be sufficient to pay all non-DOT claims, plus approximately \$1.2 million in DOT claims, audited for payment prior to June 30, 2013.) Further, approve one of the following:

a. Delete \$800,000 from the petroleum inspection and tanks administrative appropriation and \$600,000 from the PECFA administrative appropriation in 2012-13 (leaving an estimated \$14 million June 30, 2013, balance in the petroleum inspection fund).

b. Delete \$500,000 from each of the two administrative appropriations in 2012-13.

5. Approve the DSPS February, 2013, request to provide \$6,617,600 SEG on a one-time basis in 2012-13 to the PECFA awards appropriation. (This would provide \$8.75 million for PECFA claims in 2012-13, and would be expected to provide substantially more than would be needed to pay all claims audited for payment prior to June 30, 2013.) Further, approve one of the following:

a. Delete \$800,000 from the petroleum inspection and tanks administrative appropriation and \$600,000 from the PECFA administrative appropriation in 2012-13.

b. Delete \$500,000 from each of the two administrative appropriations in 2012-13.

6. Deny the request. (Most claims processed after mid-November, 2012, would not be paid until funds are authorized in future legislative action.)

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